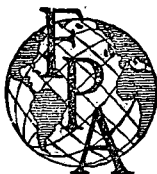


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MR. PAUL F. MANLEY
17917 SCHNELEY AVE.
CLEVELAND 19, OHIO

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ATTLEE'S PROGRAM MEETS GROWING CRITICISM AT HOME

FOLLOWING recent negotiations in Washington, which halted the conversion of sterling into dollars for current trade purposes, the Labor government has now acted at home to deal with its mounting economic crisis. Under measures announced from London on August 27, Britishers must return to wartime rationing of food, gasoline and foreign travel allowances. Emphasizing the cabinet's determination to save dollars, Food Minister John Strachey also disclosed on August 31 that a complete ban on food imports from the United States would be temporarily imposed.

Stringent domestic measures coupled with attempts to relieve the dollar shortage may tend to confuse the casual observer about the basic nature of Britain's economic problems. But as the winter approaches and early help under the Marshall plan for Britain and other Western European countries remains uncertain, one major question is emerging. Are the decisions taken by Attlee and his colleagues adequate to tide the domestic economy over the present crisis?

TEST FOR ATTLEE REGIME. That the government is hesitant about its own remedy for alleviating the nation's crisis there can be no doubt. The latest restrictions, long delayed as they have been, are an attempt to cut expenditures on consumer goods from abroad by \$800 million for the next year. As many sources in Britain have pointed out, however, this saving will not close the gap in the country's balance of payments, for the dollar deficit is now running at the rate of \$3.2 billion yearly.

Criticism of the cabinet's handling of the crisis has risen from all sides in Britain during the past three or four weeks. What is most heartening about this criticism is the fact itself, showing that the public was prepared for even greater sacrifices and a

more forthright lead from the government. Held in check, however, by differences within the Parliamentary Labor party and doubtless by disagreements within the cabinet itself, the government has not announced radically different steps from those taken before. Stricter controls over workers' mobility have been invoked and the government has reaffirmed its position on nationalizing the country's chief industries as set forth in the 1945 election campaign. But whether it avidly pursues the nationalization program beyond that already announced, the Attlee regime must consolidate its hold on the electorate by rapidly showing very significant gains in the production field, especially of coal, steel and exports.

SUGGESTIONS FROM OUTSIDE. Critics within the Labor party have chiefly emphasized the need to reduce drastically foreign expenditures. To do this, withdrawal of troops from Palestine, Greece, Germany and other areas has been suggested by Leftists in Labor's ranks. Other critics of the government, which may now be said to include the *London Times*, the *Manchester Guardian* and *The Economist*, also

F.P.A. BRANCH MEETING

The Fall Meeting of the Council of Branches and Affiliates will be held in New York on September 26-27, 1947, to consider the nation-wide expansion of the Foreign Policy Association and the development of its educational activities.

Members are urged to communicate any suggestions they may have to their local Branch Officers or to National Headquarters.

Just published—

AMERICAN POLICY TOWARD GREECE

by Winifred N. Hadsel

September 1 issue of FOREIGN POLICY REPORTS

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favor cuts in military expenses. Government critics on all sides are now searching for broader solutions for the nation's economic difficulties.

The Economist has perhaps gone further than any other responsible outside critic by charging that the Attlee cabinet has utterly failed to set a sure course for Britain's recovery. In fact, *The Economist* editors have raised the very curious issue whether the country has a government. After the new import cuts were announced, this weekly commented that "another mouse of restriction has been brought forth from the Labor mountain." Without suggesting, as Anthony Eden did on August 30, that if the government could do no better it should quit, *The Economist* proposes a program of intensified coal production, including even the export of coal as soon as possible. The Federation of British Industries, comparable to our own National Association of Manufacturers, has also supported this proposal.

The *Manchester Guardian* urges greater coal and steel production as a base for expanding export manufacture. Its editors point out that while overall output in Britain is above pre-war standards, the real issue at stake is that of producing more of the right kind of products—namely, exports. In order to expand the output of goods for sale abroad the *Guardian* suggests a wider combination of measures than the government has so far set forth. Whole factories must be turned to export production as they were for war materials; and housing, luxuries and service trades must be reduced. The *Guardian* believes all this can be done only by changes in financial policy and providing inducements for workers

to change their jobs.

IS SOCIALISM TO BLAME? If Britishers are examining the recent government orders in terms of their adequacy to meet the economic crisis, they are not, however, challenging the entire Laborite program. Churchill's attack on the totalitarian bent of the Labor party to the contrary, there is general agreement on the task which faces Britain. The familiar question heard in this country—Can Socialism do the job?—is not asked so often in Britain. The proposals made from outside the government, outlined above, also imply a high degree of state regulation of the economy. It is this fact which Americans should heed most closely in thinking about our own part in aiding Britain under the Marshall plan.

It is perhaps unfortunate that the British problem of economic revival in its short-run aspects should be confused with long-term prospects of socialism as it is developing under Laborite practice. Yet it must be stated again and again—at least for Americans—that it is not socialism which has brought Britain to its present plight. However slowly the Attlee regime has acted in meeting Britain's crisis, ravages of depression and two world wars have left the nation's coal mines and other industries in a dangerous state. Lack of modern equipment continues to hamper their revival, and added to this is a shortage of manpower and materials. It is basic problems like these which must be solved if Britain is to recoup its trade and eventually raise its standard of living at home.

GRANT S. MCCLELLAN

WEDEMEYER'S STATEMENT JOLTS CHINESE RIGHTISTS

The recommendations on China and Korea which Lt. Gen. Albert C. Wedemeyer will make when he returns to Washington shortly will play a major role in shaping United States policy in the Far East. There are as yet no clues to his opinions on Korea, but his statement of August 24 after completing his mission in China presents a frank reaction to conditions in that country. Although its main point is not new—that "to regain and maintain the confidence of the people" Generalissimo Chiang Kai-shek's government "will have to put into effect immediately drastic and far-reaching political and economic reforms"—the enunciation of this idea by so high a spokesman is significant. Especially so when followed by the remark that "promises will no longer suffice. Performance is absolutely necessary. It should be accepted that military force in itself will not eliminate communism."

General Wedemeyer and his aides arrived in Nanking on July 22 and spent approximately five weeks in China, visiting various parts of the country and interviewing many official and private

Chinese leaders. Previously General Wedemeyer had been in China as the Generalissimo's Chief of Staff following the recall of General Stilwell. On that mission he had worked closely with the Chinese government in carrying out former Ambassador Hurley's policy of assistance against the Communists. From his background it was clear at the time the fact-finding mission was announced that the United States was sending a man basically sympathetic to the Generalissimo's cause. This was reflected in reports before his arrival that Chinese Rightists were elated, and liberals apprehensive.

SHARP JUDGMENTS. General Wedemeyer apparently found conditions in China worse than he had expected. His statement speaks pointedly of "apathy and lethargy in many quarters" and declares: "Instead of seeking solutions of problems presented, considerable time and effort are spent in blaming outside influences and seeking outside assistance." Although this generalization can be interpreted in more than one way, it seems at the very least a rebuke to the Chinese government which has

sought to influence American policy by playing up allegations of Russian assistance to the Communists, and has looked toward American aid as the principal answer to its difficulties. The latter point is dealt with again in the assertion that "China still possesses most of the physical resources needed for her own rehabilitation. Recovery awaits inspirational leadership and moral and spiritual resurgence which can come only from within China."

General Wedemeyer goes on to declare that "if the Chinese Communists are truly patriotic and interested primarily in the well-being of their country, they will stop voluntarily the employment of force in their efforts to impose ideologies." This is followed by the judgment that it is "equally important" for Nanking to remove "incompetent and/or corrupt people who now occupy many positions of responsibility in the government, not only in the national organization but more so in the provincial and municipal structures." While the existence of self-sacrificing, "honorable" officials is recognized, stress is laid on "the large number whose conduct is notoriously marked by greed, incompetence or both." Finally, in the words quoted at the beginning of this article, the need for reform is set forth.

DETERIORATION IN 1947. In many respects the Wedemeyer declaration resembles the longer report made by General Marshall last January 7 on concluding his mediation mission in China. That statement, too, was critical of Chinese conditions. But Marshall, while far from optimistic, seemed to hold out more hope than does Wedemeyer that Nanking might be capable of reforming itself. The explanation presumably lies in the deterioration of the Chinese government's position in the seven and a half months between the two declarations.

In January 1947 Nanking estimated this year's budget at nine trillion Chinese dollars, but by August further inflation made thirty trillions a more likely figure. At the beginning of the year Nanking leaders were debating whether to march on the Communist capital at Yen-an, and in March the city was taken. But by August the government had suffered serious defeats in Manchuria and feared that renewed Communist drives in September, following the summer rains, would bring still more disastrous setbacks in that area. At the time of Marshall's statement talk of official "reorganization" was in the air, and in March two minor parties entered the regime, while certain right-wing "moderates" of the Kuomintang assumed leading posts. Nevertheless, pow-

er remained with what Marshall called "a dominant group of reactionaries," and the change proved no more than window-dressing.

WHAT WILL U.S. DO? General Wedemeyer's statement does not tell us what action he will recommend to President Truman, nor does it indicate how he views China in the Far Eastern strategic picture. His words seem to rule out unconditional aid to Nanking, but they do not necessarily exclude intervention under direct American supervision, as in Greece. As far as present evidence goes, the report of August 24 could be the prelude to either greater or less involvement in the Chinese civil war. Much will depend on whether the United States assigns full weight to Chinese conditions in determining its future approach to China, or whether an attempt is made to force Chinese realities into a preconceived general framework of foreign policy.

Meanwhile the Nanking government is seeking to soften American criticism by announcing measures against corruption. In the military field it has sent to Manchuria its Chief of Staff, General Chen Cheng. At the same time it is significant that agitation and anger about American policy are now visible in Chinese right-wing circles. The officially sponsored Central News Agency translation of the August 24th declaration toned down some of General Wedemeyer's remarks; a number of government-controlled newspapers have attacked his conclusions, and Chen Li-fu, the Kuomintang's right-wing boss, has declared bitterly that things have gotten "to the point where one change in the emotional setup of a foreigner will send commodity prices up or down." The Premier, Chang Chun, has also expressed opposition. It seems evident that the last quarter of 1947 will be a period of great importance for American relations with China.

LAWRENCE K. ROSINGER

The European Cockpit, by William H. Chamberlin. New York, Macmillan, 1947. \$4.00

The well-known writer on Russian affairs presents a useful survey of post-war Europe as he saw it in 1946, in which he stresses the search, led by Britain, for "a middle way," denounces Russia's policy, and advocates the formation of a European federation as a counterbalance to the power of Russia and the United States.

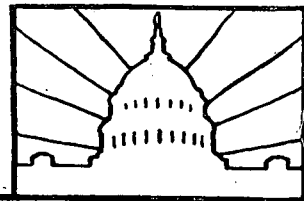
The History of Japan, by Kenneth Scott Latourette. New York, Macmillan, 1947. \$4.00

A useful brief history from early times until the present, constituting a revised edition of the author's previous work, *The Development of Japan*.

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Washington News Letter



U.S. CAUTION TROUBLES PARIS PARLEY ON MARSHALL PLAN

As the Truman administration nears completion of its work of gathering data and opinions on which to base a concrete plan to carry out Secretary of State Marshall's proposal for the economic recovery of Europe, it is stressing the desirability of European nations helping one another. But the Administration must soon decide whether the limited program for mutual assistance which the Europeans so far support is extensive enough to warrant presentation of an elaborate plan to Congress. The funds which the United States lends or grants to Europe will depend on how much Congress will be willing to appropriate rather than on a simple estimate of Europe's needs.

TOWARD EUROPEAN SELF-HELP. The Administration surmises that Congress would be more generous if its members were satisfied that European nations were doing all they could on their own behalf instead of merely throwing their economic problems in America's lap. To encourage Europe to see the planning problem in those terms, Acting Secretary of State Robert A. Lovett on August 27 sent George F. Kennan, chief of the State Department's Policy Planning Committee, to the Paris reconstruction conference of the sixteen European governments, which have been determining since July their needs in the light of the Marshall proposal. Before Kennan's arrival, the conference had rebuffed the Administration's informal suggestion that the sixteen governments set up a customs union—the superlative degree of self-help envisioned by the United States. The governments also hesitated, in lieu of a union, to suspend or lower temporarily the manifold trade barriers to the easy movement of goods within the European continent, which is criss-crossed by the walls of post-war bilateral commercial agreements.

The Europeans have suffered in their planning conference from ignorance of precisely what the United States intends to do for the continent and of what it expects the continent to do in return. The only exact information about American intentions available to Paris until the end of August was the fact that Marshall had clearly indicated three times that the United States meant to aid Europe. He dealt with this prospect in addresses at Cambridge, Massachusetts, on June 5; at Salt Lake City on July 14, and at Rio de Janeiro on August 20. The American aid will be "reasonable and realistic," Acting Secretary Lovett said on August 27, but he defined the program no further except to say that expenditures

should decrease from year to year. It has also been difficult for the governments represented at Paris to come to agreement on the nature of the "self-help" which they know is required of them, because the Truman administration has not permitted its agents to take part directly in the conference discussions.

Another barrier to full understanding between the Paris conference and the United States has been disagreement over the role of Germany in the reconstruction of Europe. The United States and Britain decided in London on August 28 to raise the production of German steel and other industries in their unified occupation zone far above levels fixed in earlier agreements reached since the German surrender in May 1945, and to leave the industry under German ownership and management. The French government had urged that the French steel industry have priority over German industry for the use of German coke. Since the Kennan mission, America has undertaken to calm European fears of a German political resurgence and to explain to Paris its view that a German economic revival is essential to European recovery, but neither Europe nor America has yet decided on the exact place Germany would occupy in the practical unfolding of the Marshall plan. This complicates the development of a European program.

AMERICAN PUBLIC ATTITUDES. The Administration has been deliberately vague both at home and abroad concerning the Marshall proposals lest Europe mistake explicit statements for assurances of help, which Congress alone can give, and lest Congress object that Truman and Marshall have been committing it to a course of action into which it had not inquired. The presence of many Congressional missions in Europe this summer has encouraged the Administration to hope that on their return they will report to the House and Senate that Europe needs our help. Yet while some public sentiment in favor of assistance exists, Congressmen who have stayed at home are on the whole sure to take account of reports indicating the presence of strong pockets of isolationism in the United States. If the Administration holds down the spending program which it drafts to its estimate of what Congress will readily approve, it may obtain a sum insufficient to provide that "cure rather than a mere palliative" which Marshall called for in his June 5 statement.

BLAIR BOLLES